



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 6<sup>th</sup> day of June, 2003

Essential air service at

**DEVILS LAKE, NORTH DAKOTA  
JAMESTOWN, NORTH DAKOTA**

under 49 U.S.C. 41731 *et seq.*

**Served: June 11, 2003**

**Docket OST-1997-2785**

**ORDER SELECTING CARRIER  
AND ESTABLISHING FINAL SUBSIDY RATE**

**Summary**

By this order, the Department is selecting Mesaba Aviation, Inc., d/b/a Northwest Airlink, to provide essential air service at Devils Lake and Jamestown, North Dakota, for a two-year period at a subsidy rate of \$1,739,270 annually.

**Background**

By Order 2003-3-15, March 20, 2003, the Department, *inter alia*, tentatively reselected Great Lakes Aviation, Ltd., to provide subsidized essential air service at Devils Lake and Jamestown through December 31, 2004. Specifically, Great Lakes was selected to provide 12 round trips a week over a linear routing of Devils Lake-Jamestown-Minneapolis/St. Paul with 19-seat Beech 1900 aircraft, at a subsidy rate of \$1,833,443 annually. The Department's authorization of 12 round trips a week represented a reduction from the previously authorized level of 18 round trips a week.<sup>1</sup> Consistent with normal program policy, Order 2003-3-15 also provided for objections to the Department's tentative decision, and invited competing proposals from other carriers interested in providing service at the communities, with or without subsidy requests.

**Carrier Proposals**

Competing proposals have been filed by two carriers: by Mesaba, and by Mesa Air Group, Inc., on behalf of its subsidiary Air Midwest, Inc., d/b/a US Airways Express. Mesaba proposes to operate 12 round trips a week between each community and Minneapolis/St. Paul with 34-seat Saab 340 aircraft, at a subsidy of \$1,739,270 annually. Mesaba would employ three different routings that would provide each community with 5 nonstop and 19 one-stop flights a week, the latter being operated via Grand Forks, North Dakota (in Devils Lake's case), or Aberdeen, South Dakota (in Jamestown's case). Under Mesa's proposal, Air Midwest would operate 12

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<sup>1</sup> See Appendix A for a map.

round trips a week to Minneapolis/St. Paul with 19-seat Beech 1900 aircraft, over the same linear routing as Great Lakes currently operates, at a subsidy of \$2,321,747 annually. Following the submission of these two competing proposals, Great Lakes decided to leave its own proposal, as tentatively selected in Order 2003-3-15, unchanged.

### **Community Comments**

On behalf of the communities, the North Dakota Aeronautics Commission and the Manager of the Jamestown Regional Airport have submitted comments on the carriers' proposals in separate letters dated June 2. The communities support the selection of Mesaba over Air Midwest and Great Lakes. However, the communities express some dissatisfaction with Mesaba's proposed schedule; note that Mesaba's proposed subsidy rate does not explicitly cover start-up and marketing costs, or expenses associated with crash/fire/rescue services; and state that they expect local fares to be competitive with neighboring airports.

### **Decision**

After careful consideration of all three carriers' proposals and the communities' comments, we have decided to select Mesaba's proposal, which offers each community 12 round trips a week to Minneapolis/St. Paul with 34-seat Saabs at an annual subsidy of \$1,739,270. The proposed subsidy rate appears reasonable for the service to be provided, and Mesaba's performance continues to be satisfactory.<sup>2</sup>

Our decision in this case is straightforward. All three applicants are very experienced scheduled-service carriers, capable of providing reliable service at Devils Lake and Jamestown. However, Mesaba has the support of the communities, and its code-share alliance with Northwest Airlines, Inc., means that it can offer travelers far more on-line connecting opportunities at the Minneapolis/St. Paul hub, where Northwest is the predominant carrier, than the other two applicants can. In addition, Mesaba's annual subsidy requirement is the lowest among the three applicants -- nearly \$100,000 less than Great Lakes and nearly \$600,000 less than Mesa/Air Midwest.

We are mindful of the communities' other remarks, and we are prepared to work with the communities and carrier during the forthcoming rate term to ensure that the service provided is satisfactory. However, we must note that the subsidy rate that we are authorizing here was formally agreed to by the carrier, and we therefore have every expectation that the carrier views it as sufficient for the service it intends to provide.

### **Carrier Fitness**

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last found Mesaba fit by Order 2003-5-21, May 20, 2003, in connection with its subsidized essential air service at Thief River Falls, Minnesota. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent

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<sup>2</sup> See Appendix B for details of Mesaba's subsidy requirement.

submissions, we find that Mesaba continues to have available adequate financial and managerial resources to provide quality service at the communities at issue here, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Mesaba remains fit.

### **Carrier Transition**

Mesaba has informed us that it expects to begin service at the communities on September 2, at which time we will end our reliance on Great Lakes to provide essential air service at the communities. We expect Mesaba and Great Lakes to coordinate the transition in essential air service responsibilities; our staff is prepared to assist in that effort. In particular, we expect Great Lakes to contact all travelers holding reservations for flights that it intends to suspend, to inform them of the suspension and the availability of Mesaba's service, and to assist them in arranging alternate transportation.

This order is issued under authority delegated in 49 CFR 1.56a(f).

### **ACCORDINGLY,**

1. We select Mesaba Aviation, Inc., d/b/a Northwest Airlink, to provide essential air service at Devils Lake and Jamestown, North Dakota, as described in Appendix C, from the date on which the carrier begins service through the end of the 24th complete month thereafter;
2. We set the final rate of compensation for Mesaba Aviation, Inc., d/b/a Northwest Airlink, for the provision of essential air service at Devils Lake and Jamestown, North Dakota, as described in Appendix C, from the date on which the carrier begins service through the end of the 24th complete month thereafter, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$718.41;<sup>3</sup>
3. We direct Mesaba Aviation, Inc., d/b/a Northwest Airlink, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
4. We find that Mesaba Aviation, Inc., d/b/a Northwest Airlink, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Devils Lake and Jamestown, North Dakota;

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<sup>3</sup> See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

5. This docket will remain open until further order of the Department; and
6. We will serve copies of this order on the mayors and airport managers of Devils Lake and Jamestown, North Dakota; the North Dakota Aeronautics Commission; Great Lakes Aviation, Ltd.; Mesaba Aviation, Inc., d/b/a Northwest Airlink; and Air Midwest, Inc., d/b/a US Airways Express.

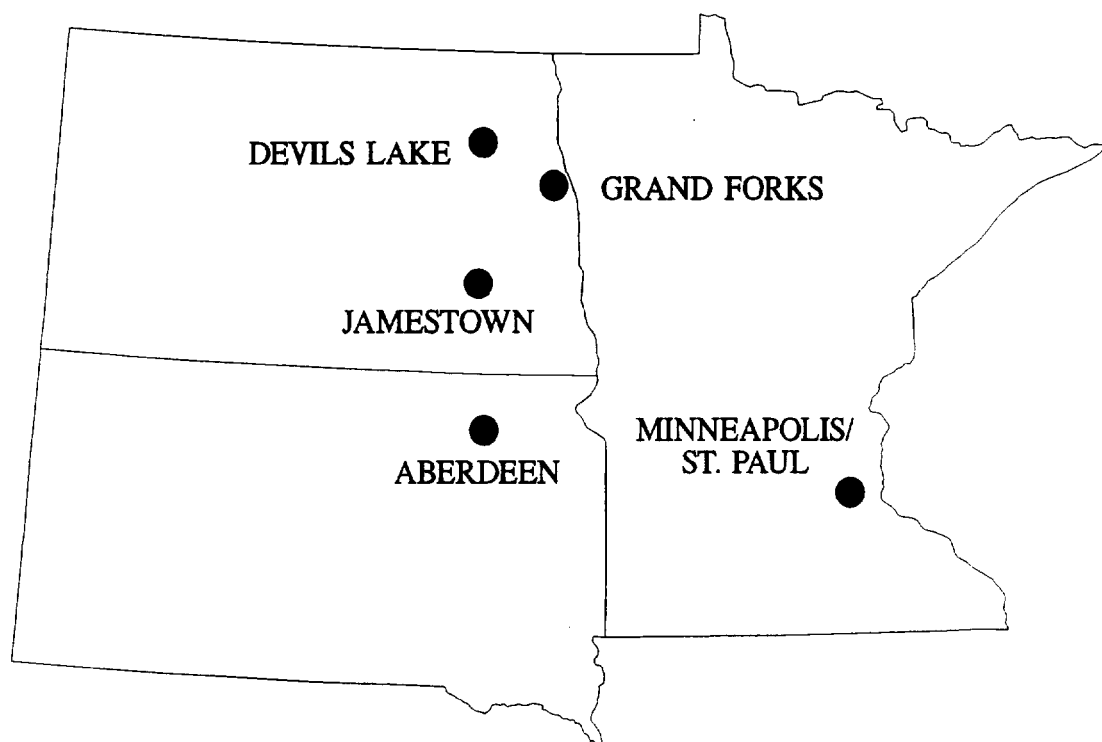
By:

**MICHAEL W. REYNOLDS**  
Acting Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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# DEVILS LAKE AND JAMESTOWN, NORTH DAKOTA



Essential Air Service to be Provided at Devils Lake and Jamestown, North Dakota, Docket 2785

|  |                  |                  |              |
|--|------------------|------------------|--------------|
| DVL Rev.                                     | \$391,267        | Block hours      | 1,825 1/     |
| <u>JMS Rev.</u>                              | <u>\$344,698</u> | Wtd.blk.hrs.     | 1,825 3/     |
| Pax.Rev.                                     | \$735,965        | RPMs             | 2,478,168    |
| <u>Other @ 4%</u>                            | <u>\$29,439</u>  |                  |              |
| Total Revenue                                | \$765,404        | DVL Turns        | 605          |
|  |                  | JMS Turns        | 605          |
| Flying Ops. @ \$237.64/hr.                   | \$433,693        | ABR Turns        | 353          |
| Hull Insurance @ \$6.04/hr.                  | \$11,023         | GFK Turns        | 353          |
| Fuel & Oil @ \$1.32/gall.                    | \$328,117        | <u>MSP Turns</u> | <u>252</u>   |
| Flt. Mtc. @ \$215.05/hr.                     | \$392,466        | Total            | 2,168 2/     |
| Depr. @ \$44.83/hr.                          | \$81,815         |                  |              |
| <u>Lease @ \$184.89/hr.</u>                  | <u>\$337,424</u> | DVL Pax.         | 5,590        |
| Total Directs                                | \$1,584,538      | <u>JMS Pax.</u>  | <u>5,590</u> |
|  |                  | Total Pax.       | 11,180       |
| Facility Lease, DVL                          | \$16,380         |                  |              |
| Ldg. Fee, DVL, \$12.41/turn                  | \$7,508          |                  |              |
| Deice, DVL, \$16/turn                        | \$9,680          |                  |              |
| DVL Labor                                    | \$123,735        |                  |              |
| DVL Communications                           | \$6,400          |                  |              |
| <u>DVL Pax. Screening</u>                    | <u>\$0</u>       |                  |              |
| DVL Total                                    | \$163,703        |                  |              |
| Facility Lease, JMS                          | \$14,520         |                  |              |
| Ldg. Fee, JMS, \$12.41/turn                  | \$7,508          |                  |              |
| Deice, JMS, \$16/turn                        | \$9,680          |                  |              |
| JMS Labor                                    | \$123,735        |                  |              |
| JMS Communications                           | \$6,400          |                  |              |
| <u>JMS Pax. Screening</u>                    | <u>\$0</u>       |                  |              |
| JMS Total                                    | \$161,843        |                  |              |
| GFK Turn Rate @ \$72.92/turn                 | \$25,741         |                  |              |
| <u>GFK Ldg. Fee @ \$32.15/turn</u>           | <u>\$11,349</u>  |                  |              |
| GFK Total                                    | \$37,090         |                  |              |
| ABR Turn Rate @ \$123.60/turn                | \$43,631         |                  |              |
| <u>ABR Ldg. Fees @ \$11.84/turn</u>          | <u>\$4,180</u>   |                  |              |
| ABR Total                                    | \$47,811         |                  |              |
| MSP Turn @ \$190.97/turn                     | \$48,124 3/      |                  |              |
| <u>MSP Ldg. Fee @ \$45.12/turn</u>           | <u>\$11,370</u>  |                  |              |
| MSP Total                                    | \$59,494         |                  |              |
| FAA Insur. @ \$.000399/RPM                   | \$989            |                  |              |
| Liab. Insur. @ \$.002950/RPM                 | \$7,311          |                  |              |
| Indirect Mtc.@ \$44.70/wtd. dep.             | \$96,910         |                  |              |
| CRS @ \$5.85/pax.                            | \$65,403         |                  |              |
| CC Comm. @ 2% of pax. rev.                   | \$14,719         |                  |              |
| Agent Comm. @ 2.04% of pax. rev.             | \$15,014         |                  |              |
| <u>G&amp;A/Other @ \$71.55/wtd. blk. hr.</u> | <u>\$130,579</u> |                  |              |
| Total Indirects                              | \$800,866        |                  |              |
| Operating Expense                            | \$2,385,404      |                  |              |
| <u>Return @ 5%</u>                           | <u>\$119,270</u> |                  |              |
| Economic Cost                                | \$2,504,674      |                  |              |
| Compensation @ 97% Completion                | \$1,739,270      |                  |              |

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1/

MSP-)GFK-DVL-GFK(-MSP, 7 r.t./week x 34 min. x .97 x 52 weeks/60 x 2 directions = 400 hrs. (GFK-DVL only)

MSP-)ABR-JMS-ABR(-MSP, 7 r.t./week x 35 min. x .97 x 52 weeks/60 x 2 directions = 412 hrs. (ABR-JMS only)

MSP-JMS-DVL-MSP, 5 r.t./week x (94+35+112)min. x .97 x 52 weeks/60 = 1,013 hrs.

2/

MSP Turns, 5/week x 52 weeks x .97 = 252

GFK Turns, 7/week x 52 weeks x .97 = 353

ABR Turns, 7/week x 52 weeks x .97 = 353

DVL Turns, 12/week x 52 weeks x .97 = 605

JMS Turns, 12/week x 52 weeks x .97 = 605

3/ DVL: 5,590 pax. x 240.75 miles = 1,345,793

JMS: 5,590 pax. x 184.7 miles = 1,032,473

MESABA AVIATION, INC., d/b/a NORTHWEST AIRLINK  
ESSENTIAL AIR SERVICE AT DEVILS LAKE AND JAMESTOWN, NORTH DAKOTA

|                                    |  |
|------------------------------------|--|
| EFFECTIVE PERIOD                   | Two years, from the date on which the carrier begins service through the end of the 24th complete month thereafter |
| SERVICE                            | 5 nonstop and 19 one-stop flights to/from Minneapolis/St. Paul for each community                                  |
| AIRCRAFT TYPE                      | Saab 340 (34 seats)  |
| TIMING OF FLIGHTS                  | Flights must be well-timed and well-spaced to ensure full compensation   |
| SUBSIDY RATE PER ARRIVAL/DEPARTURE | \$718.41 <u>1/</u>   |
| COMPENSATION CEILING EACH WEEK     | \$34,483.68 <u>2/</u>  |

1/ Annual compensation of \$1,739,270 divided by 2,421 annual arrivals and departures at a 97 percent completion factor:  $48 \text{ dpts} \times 52 \text{ weeks} \times .97 = 2,421$ .

2/ Subsidy rate per arrival/departure of \$718.41 multiplied by 48 subsidy-eligible arrivals and departures each week.



## NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on the route. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amount or at the agreed service level, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this order do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.